Globalisation and the Politics of Economic Structural Adjustment

Mark Beeson

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Abstract

This paper initially sketches the key strands of the globalisation debate and highlights those elements with greatest salience for Australia. The international political-economy has changed profoundly in the post-war period and this has major implications for all nations, especially those like Australia that trade extensively with the rest of the world, but which have relatively little capacity to influence the conditions under which such activities occur. The paper illustrates the way economic activity has changed in Australia and the implications this has for the way we think about 'national economies' and the manner in which they are integrated into a wider, increasingly integrated international economic system. Finally, consideration is given to the policy implications this has for Australian political and economic elites as they endeavour to ensure that they are able to either reap any potential benefits, or avoid any pain, that may flow from processes associated with globalisation.

The term 'globalisation' has become synonymous with the contemporary era. Describing its impact on Australia generally and on the economy in particular might, therefore, seem like a relatively uncontroversial exercise. Yet when we look more closely at the various ways in which global processes occur, and at the way such forces affect 'Australia', it rapidly becomes apparent that not only is the term globalisation an essentially contested concept, but even familiar entities like 'the Australian economy' are far more problematic and uncertain ideas than they once were. This is not just a problem for students of politics and economics: policymakers, too, find themselves inhabiting a rapidly changing environment in which economic and even political processes that were formerly unambiguously national, are now deeply penetrated by forces that emanate from outside national borders. While politicians may continue to invoke the comforting platitudes of an earlier era when the 'national interest' was more easily defined and more closely associated with readily demarcated geographical boundaries, such certainties are now much less assured.

This chapter has three major sections which are designed to illustrate both the nature of the challenge policymakers face, and the sorts of responses that global economic restructuring has produced. It initially sketches the key strands of the globalisation debate and highlight those elements with greatest salience for Australia. The key point that emerges from this discussion is that the international political-economy has changed profoundly in the post-war period and this has major implications for all nations, especially those like Australia that trade extensively with the rest of the world, but which have relatively little capacity to influence the conditions under which such activities occur. Following this, the chapter illustrates the way economic activity has changed in Australia and the implications this has for the way we think about 'national economies' and the manner in which they are integrated into a wider, increasingly integrated international economic system. Finally, consideration is given to the policy implications this has for Australian political and economic elites as they endeavour to ensure that they are able to either reap any potential benefits, or avoid any pain, that may flow from processes associated with globalisation.

Globalisation

Globalisation has become such a commonplace and over-used term that it is debateable whether it any longer has analytical purchase. How can a term that is routinely and often uncritically invoked across a range of diverse scholarly disciplines - to say nothing of popular commentary - possibly retain a consistent meaning? Although this is an important consideration, it is also possible to argue that its very ubiquity suggests that the term globalisation succinctly captures the *zeitgeist* or spirit of the times in a way that other terms do not. Yet while we may instinctively feel we know what globalisation means, if it is to retain a distinctive and illuminating meaning it is important to spell out as precisely as possible just what we take it to mean in any given context. One of the best definitions of globalisation is provided by Held et al (1999) in their excellent introduction to this complex issue. For Held and his colleagues, globalisation is:

> A process (or set of processes) which embodies a transformation in the spatial organisation of social relations and transactions – assessed in terms of their extensity, intensity, velocity and impact – generating transcontinental or interregional flows and networks of activity, interaction, and the exercise of power (Held et al 1999: 15).

A number of points are worth highlighting about this definition. First - and perhaps most importantly – globalisation is not necessarily a 'natural' or inevitable process but involves 'the exercise of power'. It is important to recognise that the particular circumstances within which increasingly transnational or global processes unfold are not a product of blind chance or technological inevitability. True, without a transformation in the quality and reliability of communications and transport, and in the absence of a prodigious increase in the capacity and sophistication of computers, many global processes would either not occur, or would be far slower and less deeply integrated that they are currently (see Cerny 1994). However, the move toward a more 'open', transnationally interconnected and interdependent world order, which is actually intentionally designed to facilitate and encourage the integration of economic activities across national borders, is a product of the political initiatives of states - especially the Untied States – in the aftermath of the Second World War.

One of the points to emphasise about processes of globalisation, therefore, which is highlighted in what Held et al describe as the increased intensity, velocity and impact of transitional flows, is that the contemporary world order reflects the preferences and values of particular states and – to a lesser extent – other influential actors (Latham 1997). For example, the fact that markets rather than governments decide the value of national currencies, and that private sector actors influence the rules and regulations that govern many commercial activities (see Braithwaite and Drahos 2000), is a product of *political* rather than simply economic or technological forces. Thus, the evolution of the international system in the post-war period has been characterised by deeply enmeshed economic and political process which have effectively driven and reflected complex processes of 'global restructuring'. Simply put, restructuring refers to changes in the way goods and services are produced and changes in the way companies organise their activities and the technologies they use (Ruigrok and van

Tulder 1995: 2). However, if we hope to understand the evolution of the global economy and the way 'Australia' is integrated into it, we must consider not just the activities of private sector actors but the political environment within which they operate.

The evolving structure of international trade and production

Of all the changes that have occurred in the international political economy over the last several decades, one of the most important - and one of the most difficult for policymakers to come to grips with - has been in the reorganisation of international production. At one time economic interaction between nations was dominated by trade, something that was reflected in and reinforced by economic theory. In the highly influential notion of comparative advantage, for example, the theory and practice of international trade seemed to affirm the value of countries doing what they were 'naturally' best at. Those countries that enjoy an abundance of labour should, in this theoretical view, specialise in the production of labour intensive goods, while those countries like Australia, which are blessed with natural resources, should concentrate on mining, farming and the production of raw materials. These commodities could then be traded for produce from those countries that enjoyed a comparative advantage in the production of manufactured goods. It is a theoretical model that has exerted a major influence on Australian public policy (Matthews and Ravenhill 1996).

While this depiction of the international economic system may have some intuitive appeal, the basis of comparative advantage theory has been overtaken by new economic realities that are synonymous with an era of intensifying international competition. On the one hand this model takes little account of the relative value of goods in international markets; on the other it cannot explain why some countries appear to have a particular talent for manufacturing the sorts of sophisticated products that are valuable and thus desired by national governments the world over. One of the most important long-run and seemingly irreversible historical developments in the world economy has been the steady decline in the value of primary products compared to industrial products (Drucker 1986). For a country like Australia, which has specialised in the production of raw materials and agricultural products, this means that ever larger quantities of such goods must be produced to pay for the same amount of manufactured imports. In economic terms, there has been a long-term decline in Australia's terms of trade. Compounding Australia's problems is the reality that although world trade has generally been growing faster than world output, it has been doing so primarily in sophisticated manufactured goods, rather than in the sorts of areas in which Australia specialises. Rather than occurring between different economic sectors, as comparative advantage theory might suggest, trade is increasingly occurring in similar products (Strange 1994, ch. 8). Consequently, Australia's share of global trade has been steadily declining (Pinkstone 1992).

Contemporaneous with and underpinning the long-term decline of commodity prices has been a profound transformation in the nature of economic activity itself. At the most abstract level, this is reflected in what is often depicted as a shift from an energy intensive, mass production-based 'Fordist' economy, to a more flexible, information-based 'post-Fordist' economy (see Amin 1994). At a more immediate level, however, such changes have been manifest in the reorganisation, spatial reconfiguration, and international integration of production processes. Whereas the world economy was once conceived of being composed of relatively separate national economies, in which the principal form of international interaction was trade, the contemporary system is dominated by production structures that transcend national borders in which international *investment* is the most rapidly expanding, dominant driving force in the world economy (Dicken 1998).

A number of implications flow from the changing logic of international production that merit emphasis. First, international economic activity is now dominated by *companies*, not countries. Although it is important to recognise that such companies retain national characteristics (Doremus et al 1999), and are not the stateless and completely footloose entities of much popular commentary, they exert a profound influence on the structure of international production and severely constrain the policy options of national governments (Stopford and Strange 1991). Second, because investment and production decisions are concentrated in private hands and follow the dictates of private profitability, there is no necessary coincidence of interest between the private and public sectors. In other words – and contrary to the old conventional wisdom - what is good for General Motors cannot automatically be assumed to be good for the US, or vice versa. Third, because the actual production process itself can now be broken down into its component parts, different aspects of production - design, manufacture, assembly and distribution – can be spread across different countries, allowing companies to exploit transnational cost differences. This has major implications for the governments of individual nation states.

International economic activity is increasingly centred on privately controlled 'commodity chains' (Gereffi 1994). Consequently, economic activity within national borders is increasingly determined by the logic of international production processes. Governments that seek to respond to this reality through activist industry policies are increasingly pursuing *competitive*, rather than comparative, advantages (Cerny 1997). The final consequence of international restructuring is that the organisation of production is now so complex and transnational, it is becoming increasingly difficult to say quite what a national product is, or how a particular product should be incorporated into national accounts. In the automotive industry, for example, the manufacture of cars is so complex and dependent on inputs from so many international sources, that some have argued that trade statistics that attempt to make sense of such processes have become quite literally meaningless (Reich 1991: 114). 'Trade' is now overwhelmingly a relationship between firms rather than nations. Indeed, trade is increasingly something that occurs *within* and between different branches of the same firm or its affiliates throughout the world, leading some observers to argue that conventional trade figures seriously misrepresent the reality of transnational production strategies (see Quinlan and Chandler 2001).

These changes in the 'real' economy are the most tangible manifestations of the new global economic order. As new factories are built in what were formerly 'peripheral' parts of the global economy, as new products find their way into the established markets of the 'developed' world, and as old jobs disappear and established social practices are revolutionised, such changes in the production of actual goods and services are highly visible expressions of the contemporary economic era. Other equally important - but generally less obvious – changes have occurred in the increasingly integrated international financial sector.

The rise to prominence of financial capital is emblematic of the new global order of integrated markets and rapid capital flows between formerly separate national economies. Again, it is important to emphasise that this development was a direct consequence, albeit one that was largely unforseen,[1] of the post-war order that was established at Bretton Woods. In retrospect, the development of increasingly influential international financial markets is highlighted by the continuing shift 'from a quasi-public to a more fully private monetary order'. (Germain 1997: 92). Put differently, the evolution and transformation of the original Bretton Woods system consolidated the influence of the private sector generally and the interests of financial capital in particular. Even though pivotal actors like the US were complicit in this transfer of responsibility and authority to the private sector, such developments necessarily diminished the influence of states in general, especially those with little capacity to influence the structure or regulation of the international economic system. Significantly, the growth of the financial sector gave mobile capital unprecedented potential leverage in relation to sovereign states. It is simply no longer possible for even the most powerful governments to ignore the opinion of 'the markets', or – more accurately - the array of financial institutions, currency traders and ratings agencies that make such influential judgements about national policies and conditions (Sinclair 2001). While international capital flows can take a number of forms – foreign direct investment, international bank lending, bond and equity purchases, foreign currency transactions, new derivatives and swaps instruments, or portfolio investments - the key point to emphasize about all of these types of capital is that they have expanded at a remarkable rate. Foreign exchange markets have grown the most spectacularly of all, achieving a turnover of around US$1.5 trillion per day by the beginning of the twenty-first century (see Beeson forthcoming).

The general consequence of all these developments associated with globalisation – restructuring in the 'real' economy and the growth of international financial markets – is that they present governments with new challenges as they necessarily constrain and complicate policy-making. Before considering how Australian governments have actually responded to this challenge, it is worth spelling out just how the 'Australian economy' has changed over the last few years and how economic activity in Australia is articulated with the wider international system.

Economic restructuring in Australia

The accompanying tables provide a snapshot of the evolution of economic activity in Australia. In many ways, the Australian experience reflects long-run changes that are - to some extent, at least – common to the developed economies. A secular shift from agricultural to manufacturing, and more recently from manufacturing to service sector[2] activities, is a fairly typical pattern across much of the developed world. As Table 1, indicates, economic activity in Australia is currently dominated by the service sector, with agricultural and manufacturing activity showing a steady decline. To put this in perspective, it is worth noting that in 1913 the farming sector used to account for 23.5 per cent of Gross Domestic Product (GDP), or nearly a quarter of the total market value of all goods and services produced within the Australia in that year (Maddock and Maclean 1987: 19). As we shall see, the decline in economic importance of the agricultural sector has been reflected in a concomitant diminution of political significance and influence. But before considering the political ramifications of changes in the structure of economic activity in Australia, it is important to highlight their implications for economic outcomes more generally.

As noted earlier, the general long-term historical decline in the value of agricultural and mineral products relative to manufactured goods has meant that Australia's balance of trade inevitably suffered as more resource products were needed to pay for the importation of increasingly valuable manufactured goods. As Tables 2 and 3 indicate there has been a significant and somewhat surprising growth in Australia's manufactured exports, but this has been off-set by a continuing growth in imports of manufactured goods. A couple of further points about these figures and the significance of manufacturing generally are worth highlighting.

First, the category of manufacturing exports used here is broad, and includes everything from simply transformed metal products, like gold bars, to fully assembled auto exports. Table 4 provides a more detailed picture of exports from Australia. But even if we set aside the question of whether a Mitsubishi car, for example, is actually an 'Australian' export given that many key inputs are frequently sourced overseas, there is a more fundamental question to be considered about how much manufacturing matters and how significant 'Australia's' manufacturing deficit actually is. The second point to emphasise, therefore, is that some observers consider a country's manufacturing sector to be a crucial determinant of the rate of growth of the overall economy (see Brain 1999: 40). This is an especially important consideration given that in the most valuable areas of manufacturing – elaborately transformed manufactures (ETMs) – Australia has a significant and growing deficit. As Figure 1 indicates, in the area of the greatest growth and value in world trade, 'Australia' appears to have a serious and growing problem. As we've seen, it is possible to argue that trade figures can no longer be taken as seriously as they once were because of the difficulty of determining questions of nationality, but there are other, more immediate reasons to be concerned about the relative decline of manufacturing: not only does the manufacturing sector directly provide high-paying jobs, skills and a basic industrial infrastructure without which certain economic activities are unlikely to occur, but it allows rapid increases in productivity that potentially underpin economy-wide living standards (Cohen and Zysman 1987). By contrast, many jobs in the growing service sector are unskilled, badly-paid and casualised.

The other major influence on the structure of economic activity in Australia, has been a long-term reorientation toward East Asia and away from Great Britain in particular. As the international political economy has changed and evolved, so have Australia's key trade and investment relationships. Australia's colonial heritage had meant that Britain was its key trading partner until the 1960s, but the direction of trade has gradually shifted toward Asia, reflecting Britain's comparative economic decline, its own turn toward Europe, and the dramatic economic expansion of East Asia. As Figure 2 illustrates, the direction of Australia's trade has shifted decisively away from Europe and toward 'Asia' in general and the Northeast Asian giants of Japan and more recently China in particular. Interestingly, investment flows to and from Australia have changed less, with the UK and the US remaining the largest investors in Australia, particularly as a consequence of declining Japanese investment. What is of greatest significance, however, is that much of the trade relationship with the growing markets of Asia, especially the all-important Japanese market, has been dominated by demand for raw materials, not the sorts of sophisticated manufactured goods which have been the fastest elements of world trade growth, and which also constitute 'Australia's' major trade deficit (Beeson 1999). The increasingly important economic relationship with the Peoples' Republic of China looks set to replicate this pattern. Not only will bilateral trade with the PRC be dominated by a $13 billion deal to supply liquefied natural gas, but it has been achieved by adopting an accommodating political stance toward the 'communist' regime and its controversial human rights record (Lague 2002).

The other aspect of overall economic transformation that merits briefly highlighting is the way in which 'Australia' has been increasingly plugged into a transnational financial system. Historically, inflows of capital have been an essential part of economic development in Australia as local savings have been insufficient to sustain adequate investment levels. In the wake of the opening up, or liberalisation of, economic activity in Australia, which occurred primarily under the Hawke-Keating governments in the 1980s, the types and extent of capital flows into and out of Australian economic space have changed remarkably. Australian-based companies can, for example, now access international bond markets to raise capital off-shore – something that underpinned the corporate restructuring and speculation that characterised the 1980s (Sykes 1994). Similarly, foreigners may choose to invest 'directly' by taking over existing 'Australia' companies or by establishing new operations; alternatively, portfolio investment may occur in Australian equities markets without assuming a controlling interest. As Bryan and Rafferty (1999: 151) point out, the fluid, ever-changing nature of capital markets, which are characterised by an array of innovations and 'derivatives', makes a simple distinction between financial instruments problematic. Adding to the confusion from a policy-making perspective is the fact that the internationalisation of formerly national stock markets, coupled with the diversification of corporate organisational and control structures, makes it more difficult to say what an 'Australian' company actually is. The bottom line as far as what are still unambiguously national governments are concerned is that transnational capital flows have increased significantly, and the capacity for nationally-based political elites to control such activities has diminished as a – self-consciously chosen – consequence.

There continues to be a good deal of debate about the merits or even necessity of financial liberalisation in the scholarly and policy-making communities.[3] The East Asian crisis that began in 1997 highlighted the potential dangers of poorly managed financial sector liberalisation in an era of massive capital flows, but Australia's surprisingly strong performance in the aftermath of the crisis suggested that 'the markets' were capable of some discrimination between the economic circumstances that prevailed in different countries. Nevertheless, one of the most troubling legacies of the liberalisation era has been a build up in the ratio of household debt as private individuals are able to access credit more easily. This process reached alarming proportions in the US, where it helped fuel a speculative share market bubble,[4] symbolised by the boom and bust of the 'DotCom' sector (see Brenner 2002). But even in Australia, the household debt-to-income ratio rose from 57 percent in 1984 to 73 per cent in 1990 (Brain 1999: 155). This trend shows no sign of changing and leaves the 'Australia economy', to say nothing of Australian consumers, highly vulnerable to rising interest rates or external shocks like an American economic downturn, a banking crisis in Japan, or the outbreak of war in the oil-rich Middle East.

National policy in a global era

Although the Hawke-Keating administrations may be said to have accelerated and facilitated processes associated with globalisation in the 1980s and early 1990s, the present Howard government has generally followed Labor's lead and entrenched the overall direction of policy, albeit with some distinctive and at times surprising twists. Indeed, it would have been odd if they had not; neoliberal policies, or the preference for minimal government 'interference' and the privileging of market mechanisms in determining economic outcomes (see Richardson 2001), have been the ideological hallmark of recent Liberal Party policies in Australia. Yet despite some ringing endorsements of the merits of globalisation (Costello 2001), the present government has experienced some uncomfortable and equivocal moments as a consequence of the very global processes it assiduously promotes. At one level this has been manifest in incidents like the Department of Treasury's embarrassing loss of $4.8 billion of taxpayer funds in misguided currency market speculation (Legge et al 2002). At another more fundamental level, however, globalisation has highlighted the acutely difficult position in which governments of relatively marginal countries find themselves as they struggle to reconcile domestic imperatives with transnational commitments and dynamics.

Such tensions are an especially acute problem for the coalition government, which has made the pursuit of 'the national interest' the centre-piece of government policy. As we have seen, the complexity of contemporary transnational production processes often makes the attribution of nationality to any product extremely problematic. Even if an unambiguously 'Australian' product could be identified, it is an open question whether the national interest is best served by 'our' company producing overseas, where it might exploit cost advantages to enhance its global competitiveness, or whether strategies should be devised to encourage it to stay in Australia, even at the risk of sustaining 'inefficient' industries. In short, is the national interest best served by using tax payer funds to subsidise possibly incompetently run, uncompetitive industries that may in any case provide poorly paid jobs with few spin-offs for other industries? Moreover, even when assistance is offered, should the recipients be obligated to reciprocate is some way to avoid the perception that losses are often socialised but profits are *always* privatised? Plainly there are no easy answers to such questions. They are raised to highlight the difficulty of deciding who 'we' are, and where 'our' interests lie. This is an especially important issue at a time when the rhetoric of Australian public policy continues to reflect analytical constructs and normative assumptions that have been overtaken by rapidly changing economic structures, political practices and even social values.

While it is always advisable to treat government-sponsored policy documents with caution given their potentially self-serving nature, it is also important to test their claims and policy strategies against reality. The Coalition's instructive policy document, *In the National Interest*, provides an important insight into contemporary government thinking. Although it is easy to dismiss the idea that 'advancing Australia's interests is a task for all Australians' (CoA 1997: vii), as an empty platitude, it is important to recognise its continuity with earlier Labor policies which attempted to make the population itself an integral part of efforts to increase national economic competitiveness (Beeson and Firth 1998). However, even if the idea of the national interest retains some limited discursive or ideological function – and this is debatable in an era characterised by a high degree of political cynicism - it has little basis in reality. As has been stressed throughout this chapter, the construction of economic policy is an inherently political exercise in which governments must attempt to balance what are often diametrically opposed interests. For example, there are significant differences and divergent policy preferences between actors in the financial as opposed to the real economy. Even within the real economy, there are significant differences between those companies that are exposed to or involved in highly traded sectors, and those that serve domestic markets, and which may favour continuing protection, rather than further trade liberalisation (Milner 1988; Kaptein 1993).

A few examples will help to illustrate just how difficult it is to reconcile a normative commitment to greater openness and minimal government intervention with the realities of domestic politics. In the manufacturing sector, for example, the Howard government has found it difficult to avoid assisting – either through tariffs or direct subsidies – industries as diverse as the internationally uncompetitive textile, clothing and footwear industries, or the entirely foreign-owned automotive industry in Australia. There may be compelling political, social and/or strategic reasons for preserving such industries, but they are difficult to reconcile with the government's overall emphasis on competitiveness and self-reliance. The coalition government has also displayed a willingness to block foreign takeover activities where it judges them to be against the 'national interest', as the controversial decision to halt Shell's acquisition of Woodside Petroleum and through it control of Northwest shelf gas deposits demonstrates. Parochial politics are even more evident in the agricultural sector: the fact that the Liberals are in coalition with the rurally-based National Party has made it difficult to allow market forces to restructure Australia's agricultural sector, as economic orthodoxy and the government's own rhetoric might lead us to expect. Dairy farmers and sugar producers have been major recipients of government largesse, despite concerns about the economic viability and environmental impact of some of these industries.

The plight of the rural sector illustrates a more fundamental constraint on government policy: not only must governments attempt to appease specific domestic lobbies, they must do so within the context of an increasingly intrusive and pervasive web of international agreements. Australia is both a relatively uninfluential player in the construction of transnational regulatory regimes and,[5] under the coalition government, at least, a rather inconsistent one. Despite a rhetorical commitment to multilateralism there has been a noteworthy attempt on the coalition's part – and that of many other governments, for that matter – to develop specific bilateral trade agreements. In part, this reflects a general disillusionment about the capacity of existent inter-governmental organisations to achieve binding multilaterally based agreements to govern international commerce. The World Trade Organization is the object of widespread criticism, while Australia's hitherto preferred mechanism for encouraging regional trade liberalisation – Asia Pacific Economic Cooperation (APEC) – is seen as increasingly ineffectual and irrelevant. There is, however, another reason for the current government's change of direction: not only is the United States less committed to maintaining the sort of multilateral liberal order it helped create, but the Howard government's desire to establish closer economic and strategic ties with the US have had the effect of further constraining its policy options (Beeson forthcoming b).

Conclusion

The contemporary international political-economy is characterised by some striking paradoxes and contradictions that highlight the difficulties policymakers face in a global era. For a country like Australia which has a limited capacity to influence the wider international system in which it is embedded these tensions are especially challenging. Long-term structural change in the international economy presents a complex array of threats and opportunities. The chance to access international financial markets at competitive interest rates, for example, may not be a bad thing in itself, but it may create new risks and vulnerabilities if not carefully monitored. Likewise, the emergence of new industries and technologies may open up new wealth-creating opportunities for those with the skills or products demanded by world markets, but governments must also be conscious of the impact structural change has on the losers in globalisation processes. The plight of much of the agricultural sector in Australia, and its propensity to generate reactionary politics as a consequence, is symptomatic of this dilemma. The great challenge for policymakers everywhere is to try to ensure that the benefits that flow from a dynamic integrated world economy are more equitably distributed. At present it is clear that, not only are there growing gaps within individual nations between those that have benefited from global processes and those that have been its victims, but it has become painfully apparent that entire nations have been left behind, exploited by or excluded from the new world order (Woods 1999).

In such circumstances, the single-minded pursuit of ‘the national interest’ looks an increasingly implausible and anachronistic proposition. At a time when economic restructuring and integration is systematically undermining the idea of a distinct national economic space and identity, there are powerful practical reasons for questioning whether any such unified, coherent entity as the national economy exists. Such theoretical caveats notwithstanding, it is not surprising that as policymakers remain answerable to nationally based electorates, policy discourses continue to reflect primarily parochial concerns. Paradoxically enough, however, policymakers in countries like Australia have a diminished capacity to determine economic outcomes in the jurisdictions over which they claim authority – a disconnect that is reflected in the increased levels of political cynicism that are found in much of the developed world (Cerny 1999). For better or worse, therefore, transnational or intergovernmental organisations, key private sector actors, and key nations like the US look set to play a larger part in shaping the political and economic environment in which Australian-based economic entities must compete. The challenge is to make such processes more democratic and accountable, and not just to the fortunate, nationally-demarcated populations of the wealthy western world. As Peter Singer (2002) has argued, there is – or ought to be – an ethical dimension to globalisation, too. Developing political processes and relationships that can discourage a potentially dangerous slide into unilateralism and insularity, while promoting and spreading the benefits of international cooperation and integration, is the great challenge of the new millennium.

[1] The decision to end the Bretton Woods system of managed exchange rates and the convertibility of American dollars for gold which it rested on was taken for political reasons. The growth, spread and implications of financial sector expansion was not foreseen. See Strange (1994a).

[2] The service sector is a rather imprecise term, and the boundaries between it and manufacturing a becoming blurred, but the *Economist* magazine famously described service sector activities as those products that you can't drop on your foot.

[3] See, for example, Eichengreen (1999).

[4] 'Bubbles' occur when a speculative mania grips investors and they rush buy shares in a particular market or product, despite doubts about their 'real' underlying value or long-term earning capacity. 'Busts' when the process is reversed invariably follow.

[5] But see Beeson and Capling (2002).

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